

Critical success characteristics of entrepreneurs for the successful entrepreneurship at Indian SMEs

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Veröffentlichungsversion / Published Version
Zeitschriftenartikel / journal article

Empfohlene Zitierung / Suggested Citation:

Mehta, A. (2011). Critical success characteristics of entrepreneurs for the successful entrepreneurship at Indian SMEs. *Elixir*, 39, 4729-4739. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-46755-7>

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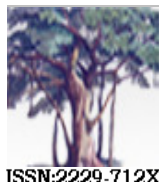
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ISSN:2229-712X

Available online at www.elixirjournal.org

Human Resource Management

Elixir Hum. Res. Mgmt. 39 (2011) 4729-4739Elixir Online
Journal

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ARTICLE INFO

Article history:

Received: 5 August 2011;

Received in revised form:

21 September 2011;

Accepted: 27 September 2011;

Keywords

CSCs,
Entrepreneurship,
Entrepreneurs,
Indian SMEs.

ABSTRACT

This paper provides a list of 100 critical success characteristics (CSCs) of the entrepreneur that may influence the success of entrepreneurship at Indian SMEs. One close ended questionnaire was used to collect the data from the 30 Indian entrepreneurs those who are having experience of managing Indian enterprise (Indian SMEs). The data collected were analyzed using statistical techniques such as descriptive statistics test.

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Introduction

The entrepreneur is one who has the self confidence to undertake risks and who is willing to work hard to explore market opportunities and create new innovations in return for potential benefits and profits (Petrin, 1994). This finding is also consistent with that in the study by Wijewardena and Tibbits (1999), Ibrahim and Goodwin (1986), Chaganti and Chaganti (1983) and Yusuf (1995) as discussed in the literature review. Entrepreneurs with high initiative are able to stay ahead of their competitors, and are role model for their employees. Initiative is goal-directed and action-oriented (Frese et al., 1997) and, therefore, closely linked to an active strategy. Duchesneau and Gartner (1990) found that lead entrepreneurs in successful firms were more likely to have been raised by entrepreneurial parents, to have had a broader business experience and more prior startup experience, and to believe that they had less control of their success in business, than unsuccessful entrepreneurs. They also found that lead entrepreneurs in successful firms worked long hours, had a personal investment in the firm, and were good communicators. Moreover, successful firms were those initiated with ambitious goals, and lead entrepreneurs had a clear and broad business idea (Duchesneau & Gartner 1990). Firms with more than one shareholder when it was set up were significantly more likely to survive (Westhead et al. 1995). Education and prior experience in business have been seen as critical success factors for small firms (Yusuf 1995; Wijewardena & Cooray 1996). Gartner (1988) in his research article entitled "Who is the entrepreneur?" mentioned that asking "Who" is the wrong question, but rather the personality of entrepreneur is only related to the success of business start-up through more specific mediating processes. This is due to the fact that these factors are not relevant if there is no action and initiative taken by the entrepreneurs. Personality traits such as locus of control and ambiguity tolerance influenced the business success directly and the business process indirectly (Entinargo, Fernandez, & Vazquez, 2000). According to Lumpkin and Dess (2001), the concept of entrepreneurial orientation consists of five

dimensions: autonomy, innovativeness, risk taking, proactiveness, and competitive aggressiveness. Autonomy is defined as an independent action by an individual or a team aimed at bringing forth a business concept or a vision, and carrying it through to completion. Innovativeness refers to the willingness to support creativity and experimentation. Risk taking means a tendency to take bold actions, such as venturing into unknown new markets. Proactiveness is an opportunity-seeking and forward-looking perspective. The fifth dimension, competitive aggressiveness, reflects the intensity of a firm's efforts to outperform the industry rivals (Lumpkin & Dess 2001). Mill (1984) suggested that risk taking is a key factor in distinguishing entrepreneurs from managers. It is believed that entrepreneurs take greater degree of risk especially in areas where they have control or competencies in realizing the profit. Many studies have included risk taking as a major entrepreneurial characteristic. Glancey et al. (1998) have introduced a model of entrepreneurial dynamics, revised from that suggested by Cragg and King (1988). The personal attributes of the entrepreneur determine the motivation and objectives, which in turn determine the firm's performance. Kiggundu (2002) later added demographic variables to his study and found that personality traits have direct influence on the success of African entrepreneurs. Although studies on personality traits have played an important role in contributing to the success of entrepreneurs worldwide, nevertheless, personality traits have been criticized both on theoretical and empirical ground in the studies of entrepreneurship. Cromie (2000) stated that self-efficacy affects a person's beliefs regarding whether or not certain goals may be attained. The attitude provides the foundation for human motivation (Pajares, 2002) and personal accomplishment: unless people believe that their actions can produce the outcomes they desire, they have little incentive to act or to persevere in the face of adversities (Pajares, 2002). Begley and Boyd (1987) found that entrepreneurs (founders) scored significantly higher than small business managers (non-founders) in need for achievement, risk-

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at: <http://ssrn.com/abstract=2770282>

taking propensity, and tolerance of ambiguity. Brockhaus (1982) reviewed a number of psychological characteristics and conclude that need for achievement, internal locus of control and a risktaking propensity as attributes contributing to the success of new business start-ups. Bandura (1977) pointed to the fact that 'people's level of motivation, affective status and actions are based more on what they believe than on what is objectively true'. An individual's perception of self-efficacy has a strong influence on how he or she will act and how the available knowledge and skills will be utilized. Consequently, people behave according to beliefs about their capabilities rather than on real facts based on their competence and capabilities. On the other hand, Brockhaus and Horwitz's (1986) empirical findings showed that entrepreneurs with internal locus of control strive for high achievement. Mitton (1989) confirmed that entrepreneurs eagerly undertake the unknown and uncertain circumstances, thus the entrepreneurial inclined individuals are expected to display more tolerance of ambiguity than others. As far as innovativeness is concerned, Mitton suggested that it is the focal point of entrepreneurship and an essential entrepreneur characteristic. Indeed entrepreneurial literatures show that entrepreneurs are significantly more innovative than non-entrepreneurs (Ho & Koh, 1992; Robinson & Sexton, 1994). entrepreneurs who have the necessary competencies especially in the area of operations, finance, marketing and human resources, and management skills required for the business are more likely to be successful at start-up (Pralhad & Hamel, 1990; Swiercz & Spencer, 1992).

Bruederl and Preisendoerfer (1998) found in their research that social network support is related to both, survival and growth of newly founded companies. A network approach assumes that entrepreneur's ability to organize and coordinate networks between individuals and organizations are critical for starting up a company and business success. It was found that formal support sources were hardly used, the institutions mostly mentioned were banks (Birley, Cromie & Myers, 1991).

Literature Review

Nooteboom (1994) highlighted that one of the most important characteristics of the small business is its diversity. The sources that produce diversity lie in the variance of the backgrounds, motives and goals of the entrepreneurs. Lussiers and Pfeifer (2001) empirically found that in addition to competencies and personality traits, human capital of individual entrepreneurs play a role in contributing to the success of entrepreneurs. Entrepreneurs' personality traits have also been identified to have impact on organizational performance (Robinson & Sexton, 1994). Charney and Libecap (2000) found that entrepreneurship education produces self-sufficient enterprising individuals. Furthermore, they found that entrepreneurship education increases the formation of new ventures, the likelihood of self-employment, the likelihood of developing new products, and the likelihood of self-employed graduates owning a high-technology business. Yusuf (1995) personal qualities and traits, such as self-confidence and perseverance, have been suggested to affect firm success. Research on personal initiative concentrate on the self-starting nature of entrepreneurs: how they pursue success with their proactive attitude, how to seek and grasp opportunity with their proactive approach, and how to find any solutions or necessities to overcome barriers to achieve their goals (Frese, Kring, Soose, & Zempel, 1996; Frese, Fay, Hilburger, Leng, & Tag, 1997). Human capital elements of the entrepreneurs such as

family-environment, education, age, work history, role models and support networks have been identified to contribute to the business venture success (Hisrich, 1990; Krueger, 1993). The assumption is that higher human capital of the entrepreneurs increases the chances of their company's survival and success (Dyke, Fischer, & Reuber, 1992; Bruederl & Preisendoerfer, 1998). Stefanovic et al., (2010) Frese et al., (2002) describe urge of independence, innovativeness, attitude towards risk and a competitive nature as a psychological attributes relating to success. Managerial skills comprise of ability to manage work force and managing accounts, environmental conditions consists of sufficient governmental support, access to the capital and support of family and friends (Benzing et al., 2009). Ibrahim and Goodwin (1986) stressed that "inadequate management skill" was the common cause for small business failure. Ibrahim and Goodwin (1986) also noted that "increased management education" would be able to reduce small business failure. competency is one of most crucial factors to ensure the success of new business ventures. The entrepreneurs faced even greater challenge when they have successfully bring their organizations to growth and as the company moves into this stage, it experienced what observers refer to as strategic reflection point (Grove, 1996). According to Schapper (2006), in developing nations more than 90% of the firms fall under the category of SME and he also above than 90% of these firms are microenterprises. SMEs are very heterogeneous business operating in many different sectors such as trade, agri- business, manufacturing (Hussain et al., 2009). Duscheneau and Gartner (1990), Pratt (2001) stated that Owner's previous experience, interpersonal skills, access to capital, hard work are important drivers serve as the success of any organization. Experience and knowledge of the local market also plays a great role in the success (Hussain and Windsperger, 2010). A very excellent study in the context of success factors is done by Benzing and colleagues (2009) they categorized the factors contributing to the success of small businesses into three groups i.e. psychological and personal skills, management skills and training, and external environment. An extensive literature survey by Rogoff et al. (2004) found that internal and external factors are determinants of business success. The former refers to the characteristics of the owner or entrepreneur and business; whilst the later deals with factors beyond the control of the owner. Among other internal factors are size and years in business, the ability to attract outside capital investment, management, financing, planning, experience, and skill to implement any identified projects. The external or environmental factors are sales tax rates, infrastructure expenditure, university research, corporate debt, credit market condition, business opportunity, availability of resources, economic conditions, competition, and government regulation. founders could have the competencies to perform equally well as professional managers, there are very few studies on the similarity and the areas of competencies these successful entrepreneurs and managers focused on for growth stage companies. Many studies found that majority of the business failure were due to the lack of management skills or competencies (O'Neill & Duker, 1986; Terpstra & Olson, 1993).

Indian SMEs

According to Cragg & King (1988); Rutherford & Oswald (2000) small business success has often been classified into three categories of antecedents: the individual characteristics of the owner-manager, firm characteristics and environmental

characteristics.. The individual characteristics include attributes like the age, education, managerial know-how, industry experience and social skills of the owner/manager. SMEs stimulate private ownership and entrepreneurial skills, are flexible and can adapt quickly to changing market demand and supply situations, generate employment, help diversify economic activity, and make a significant contribution to exports and trade. Even in the developed market economies SMEs account for a large share in output and employment (UNECE, 2003). The definition, which used in this study for the Indian context was according to MSME Development Act, 2006. As per the Ministry of Micro, Small and Medium Enterprises, recent ceilings on investment for enterprises to be classified for micro, small and medium enterprises are as follows:

* Investment limit in Plant & Machinery

** Investment limit in Equipments

Objectives

The main objective of this paper is:

To identify the critical success characteristics of entrepreneurs that may influence the success of entrepreneurship at Indian SMEs.

Research Methodology

The present study is exploratory in nature which identifies 100 critical success characteristics (CSCs) of the entrepreneurs that may influence the success of entrepreneurship at Indian SMEs along with the KCSCs (Key Critical Success Characteristics) by the ranking of those CSCs according to their mean values. It gives insights into the phenomenon of critical success characteristics (CSCs) of the entrepreneurs that may influence the success of entrepreneurship at Indian SMEs. It does not go deep into the phenomenon of CSCs and so it cannot be determined as descriptive. Exploratory research has the goal of formulating problems more precisely, clarifying concepts, gathering explanations, gaining insights, eliminating ideas and formulating hypothesis. Exploratory research here is performed by a survey. A quantitative survey based approach was used. The entrepreneurs from Indian SMEs have been selected for the data collection using non probability sampling method. The primary data was collected by using self structured one close ended questionnaire. A five item Likert scale was designed with each statement having five alternative to choose from Strongly Agree=5, Agree=4, Neutral=3, Disagree=2, Strongly Disagree=1 for the questionnaire. The Likert scale is relatively easy to construct compare to other scales. The process is to collect the large number of statements that meet two criteria: (1) each statement is believed to be relevant to the attitude being studied and (2) each is believed to reflect favorable or unfavorable position on that attitude. Respondents should give their level of agreement to the statements. The pilot test was done for ten respondents. Later the questionnaire was given to 30 respondents. These respondents were from different background and different genders. Each questionnaire consists of 100 questions (survey items) mainly dealing with 100 critical success characteristics (CSCs) of the entrepreneurs that may influence the success of entrepreneurship at Indian SMEs. In the questionnaire, respondents were asked to indicate their perception to identify the 100 critical success characteristics (CSCs) of the entrepreneurs that may influence the success of entrepreneurship at Indian SMEs. The objectives of the research and the pattern of the questions were explained in detail to the respondents so that the bias will be as low as possible. The analysis of data was done by applying descriptive statistics test

using SPSS V 18.0. The conceptualization of survey instrument constructs was based on preliminary literature review to form the initial items. The personal interviews with practitioners and experts views for scale purification suggest that the survey instrument has strong content validity. Estimates greater than .75 are normally acceptable criteria to meet the reliability of instrument. It was observed from the analysis of primary data that reliability for the customized survey instrument was above 0.75 which states that sufficient internal consistency has been judged for the reliable measure. Table 2 presents the mean values for the 100 CSCs in alphabetical order (5=Strong agree, 4=Agree, 3= Neutral, 2=Disagree and 1=Strong Disagree). The items used in constructing the survey for this study were adapted from several relevant prior research studies of the large and small enterprise.

Conclusion

Study concludes that all these 100 critical success characteristics of entrepreneurs influence the success of entrepreneurship at Indian SMEs & they have different priorities (mean values) see table 2. Small business success is defined in various dimensions by different scholars. As surveyed by Paige and Littrell (2002), its definition by intrinsic criteria include freedom and independence, controlling a person's own future, and being one's own boss; whilst extrinsic outcomes are, among others, increased financial returns, personal income, and wealth. Masuo et al. (2001) in their literature survey found that business success is commonly defined in terms of economic or financial measures which include return on assets, sales, profits, employees and survival rates; and nonpecuniary measures, such as customer satisfaction, personal development and personal achievement. As surveyed by Wijewardena and Tibbits (1999), the success of small firms was attributed to entrepreneurial, managerial, or other personality attributes of owner-managers. Entrepreneur characteristics, such as gender, education, age, managerial skills, experience (Kallerberg and Leicht, 1991; Rowe et al. 1993; Masuo et al. (2001)), as well as physical and emotional support from family members (Green and Pryde, 1989), are important factors that influence business success. Business characteristics that affect business success are age, size, and location of business (Kraut and Grambsch, 1987; Kallerberg and Leicht, 1991). The word enterprise has been used in a range of contexts and meanings (Bridge, O'Neill & Cromie 2003). Salminen (2000) describes an enterprise as a controlled system consisting of a detector, a selector and an effector. The detector is the function by which a system acquires information about its environment, which is then used as the basis of the selection of a behavioral response by the selector. Finally, the behavior is executed by the effector. The measurement system of an enterprise gathers information about the changes in both the environment and the performance of the enterprise. This information is then used together with the values and the preferences of the enterprise and its management to produce decisions about the required actions. As a result, the outputs of the enterprise – the products, the services, the operational performance and the financial performance - are changed. Success, in general, relates to the achievement of goals and objectives in whatever sector of human life. In business life, success is a key term in the field of management, although it is not always explicitly stated. Success and failure can be interpreted as measures of good or indifferent management. In business studies, the concept of success is often used to refer to a firm's financial performance. However, there is no universally

accepted definition of success, and business success has been interpreted in many ways (Foley & Green 1989).

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Table 1: Definition of Indian SMEs (Source: MSME Development Act, 2006)

Classification	Manufacturing Enterprises*	Service Enterprises**
Micro	Rs. 2.5 million/ Rs. 25 lakh (US\$ 50,000)	Rs. 1 million/ Rs. 10 lakh (US\$ 20,000)
Small	Rs. 50 million/ Rs. 5 crore (US\$ 1 million)	Rs. 20 million/ Rs. 2 crore (US\$ 40,00,000)
Medium	Rs. 100 million/ Rs. 10 crore (US\$ 2 million)	Rs. 50 million/ Rs. 5 crore (US\$ 1 million)

Table 2: Critical Success Characteristic (CSCs) of entrepreneur for the successful entrepreneurship at Indian SMEs

Critical Success Characteristic of successful entrepreneur for the successful entrepreneurship at Indian SMEs With Serial Numbers(in alphabetical order)	Mean Values
1. Accessible and easy going	4.339
2. Action oriented	4.677
3. Adaptive and adjusting	4.449
4. Ambitious	4.745
5. Analytical	4.443
6. Attention to detail	4.787
7. Balance	4.234
8. Bold	4.232
9. Calm	4.129
10. Caring	4.275
11. Commitment, trust and loyalty	4.562
12. Competency	4.269
13. Competent to generate employment	4.395
14. Confident	4.343
15. Cooperative	4.327
16. Creativity	4.227
17. Decision maker	4.233
18. Dedication	4.672
19. Discipline	4.783
20. Dreamer	4.128
21. Educated	4.794
22. Empathy and sympathy	4.103
23. Energetic	4.235
24. Entertainer	4.086
25. Enthusiastic	4.115
26. Equality/Opportunity provider	4.743
27. Ethical	4.233
28. Examiner	4.146
29. Experienced	4.602
30. Expert	4.746
31. Flexible	4.234
32. Focused	4.236
33. Forgiving	4.278
34. Future oriented	4.782
35. Global prospective and growth oriented	4.176
36. Good communication skills	4.296
37. Good memory	4.675
38. Hard worker	4.386
39. Honesty	4.237
40. Humble	4.238
41. Idealistic	4.274
42. Individuality	4.261
43. Initiator	4.627
44. Integrity	4.286
45. Intelligent	4.626
46. Interpersonal skills	4.278
47. Intrapersonal Skills	4.278
48. Investor	4.372
49. Justice	4.362
50. Knowledgeable & Informed	4.645
51. Leader	4.788
52. Learner	4.733
53. Liberal	4.278
54. Listener	4.782
55. Lovable/Loving	4.278
56. Manager	4.784
57. Maturity	4.645
58. Modern	4.784
59. Morale	4.445
60. Open Hearted	4.289
61. Open Minded	4.644
62. Optimistic	4.278
63. Organized	4.278
64. Owner	4.784

65. Passionate	4.289
66. Personality	4.446
67. Planner	4.644
68. Positive behavior & thinking	4.278
69. Practical	4.278
70. Proactive	4.644
71. Problem Solver	4.479
72. Promising	4.642
73. Punctual	4.289
74. Quality oriented	4.267
75. Rational	4.643
76. Reactive	4.644
77. Reliable	4.578
78. Resourceful	4.603
79. Respectable	4.786
80. Responsible	4.674
81. Risk taker	4.736
82. Role model	4.703
83. Self Awareness	4.634
84. Self Control	4.598
85. Self Employed	4.458
86. Self Motivator	4.678
87. Self Respect	4.678
88. Sense of humor	4.457
89. Sensible	4.646
90. Simple	4.637
91. Sincere	4.500
92. Skillful	4.672
93. Social	4.645
94. Strategic thinking	4.643
95. Strong willpower	4.592
96. Systematic	4.729
97. Team player	4.267
98. Values	4.289
99. Visionary	4.642
100. Workaholic/work oriented	4.645